Rotherham Metropolitan Borough Council

Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 29th September 2020.

Report Title
Internal Audit Charter.

Is this a Key Decision and has it been included on the Forward Plan?
No.

Strategic Director Approving Submission of the Report
Judith Badger, Strategic Director, Finance and Customer Services.

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Ward(s) Affected
Borough-Wide.

Report Summary
The Internal Audit Charter is in effect the Terms of Reference of the Internal Audit department. It is aligned to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), which are mandatory for all local government audit departments. It also takes account of the contents of the CIPFA Statement on the Role of the Head of Internal Audit. The Charter must be reviewed periodically and presented to the Audit Committee for approval. The review has been completed, however none of the requirements has changed in the last year and there have therefore been no changes made to the Charter.

Recommendations

The Audit Committee is asked to approve the Internal Audit Charter as attached in Appendix A.

List of Appendices Included:-
Appendix A – Internal Audit Charter

Background Papers
Accounts and Audit (England) Regulations 2015.
Public Sector Internal Audit Standards, 2017.
CIPFA publication – Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards, 2019.

CIPFA Statement on the Role of the Head of Internal Audit in Public Services Organisations, 2019.
Committee on Standards of Public Life's Seven Principles of Public Life

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No.

Council Approval Required
No.

Exempt from the Press and Public
No.

Internal Audit Charter

1. Background

1.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

"each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

1.2 Public Sector Internal Audit Standards (PSIAS) state:-

"the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, Code of Ethics and Standards."

1.3 Additionally, the Standards require the "chief audit executive" (in Rotherham's case, the Head of Internal Audit), to periodically review the Internal Audit Charter and present it to the Audit Committee for approval.

1.4 The current Charter was produced in September 2019 and has now been reviewed. During the last year there have been no changes in the requirements for the Charter, which has therefore not been amended this year. The Charter has been presented to the Council's Senior Leadership Team.

2. Key Issues

2.1 The Charter outlines the regulatory requirements for Internal Audit and details:

- The Mission, Definition, Core Principles and Code of Ethics of Internal Audit.
- The Independence, Role, Scope of Work, Responsibilities, Reporting arrangements, Relationships, Resources and Performance Reporting of Internal Audit.
- The role of Internal Audit in reducing and investigating fraud, and in consulting services.

3. Options Considered and Recommended Proposal

3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit.

4. Consultation on Proposal

4.1 This section is not applicable to this report.

5. Timetable and Accountability for Implementing this Decision

5.1 The Audit Committee is asked to receive this report at its September 2020 meeting.

6. Financial and Procurement Advice and Implications

6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

"each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

"each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"

8. Human Resources Advice and Implications

8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 The scope of Internal Audit's work, as defined in the Charter, will extend to all areas of the Council and its key risks, including CYPS and Adult Services.

10 Equalities and Human Rights Advice and Implications

10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for Partners and Other Directorates

11.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Improvement Plan and Children's Services Improvement Plan.

12. Risks and Mitigation

12.1 As above the statutory guidance requires Internal Audit to be in place and supported by an Audit Charter, approved by Members. An effective Internal Audit Department helps to minimise the Council's exposure to risk.

13. Accountable Officer

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Appendix A

Rotherham Metropolitan Borough Council

Internal Audit Charter 2020

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1. Introduction

1.1 The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the activity's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the 'board'; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the 'board'.

1.2 Internal Audit is a statutory requirement for local authorities. The two pieces of legislation that impact upon internal audit in local authorities are:

- The Accounts and Audit (England) Regulations 2015 states that "each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.

1.3 The Internal Audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The PSIAS were published in 2013 and updated in 2016 and 2017 and encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF) and CIPFA requirements in respect of local government and include the following:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing
- Mission Statement for Internal Audit
- Core principles for Internal Audit

1.4 The latest Local Government Application Note, which sets out the requirements for local government internal audit was published by CIPFA in February 2019.

1.5 The CIPFA Statement on 'The Role of the Head of Internal Audit' published in 2019, aligns to the PSIAS and explicitly links to the Core Principles, helping to demonstrate how the Head of Internal Audit role supports internal audit effectiveness.

1.6 PSIAS state that the charter must:

- Define the terms 'senior management' and 'board' for the purposes of internal audit activity;
- Cover the arrangements for appropriate resourcing

- Define the role of internal audit in any fraud related work; and
- Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities

1.7 Within Rotherham Council:

- 'chief audit executive' is the Head of Internal Audit
- 'board' refers to the Audit Committee;
- 'senior management' refers to the Chief Executive, Assistant Chief Executive and Strategic Directors.

1.8 The role of 'senior management' is not linked to a specific job title or pay grade, but includes the following key duties:-

- Input to the risk based internal audit plan;
- Receive periodic reports from the Head of Internal Audit on internal audit activity; that includes follow-up reports; and
- Receive the results of the quality assurance and improvement programme from the Head of Internal Audit.

1.9 The PSIAS lays out the role of a "board"., with the key duties being as follows:

- Approve the internal audit charter;
- Approve the risk based internal audit plan, including the approval of the internal audit budget and resource plan;
- Receiving communication from the Head of Internal Audit on internal audit performance relative to its plan and other matters;
- Receive an annual confirmation from the Head of Internal Audit with regard to the organisational independence of the internal audit activity;
- Receive the results of the quality assurance and improvement programme from the Head of Internal Audit;
- Make appropriate enquiries of the management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations.
- Receive the Head of Internal Audit's Annual Report, timed to support the Annual Governance Statement.

1.10 The Head of Internal Audit reports functionally to the "board". The Internal Audit department is part of the Finance and Customer Services Directorate. The Head of Internal Audit reports administratively to the Strategic Director Finance and Customer Services.

2. Mission, Definition and Core Principles of Internal Audit

2.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within the organisation and PSIAS defines this as:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."

2.2 Internal Auditing is defined as:-

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

2.3 The standards include 10 core principles for the professional practice of internal auditing. These, taken as a whole, should be present and be operating effectively in an effective internal audit function. Failure to achieve any of the core principles would imply that an internal audit activity was not effective as it could be in achieving internal audit's mission. The ten Core Principles are listed as follows:-

- Demonstrates Integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk- based assurance
- Is insightful; proactive and future - focussed
- Promotes organisational improvement.

3. Code of Ethics

3.1 Anyone delivering internal audit work for the Council must comply with the PSIAS Code of Ethics. This covers:

Integrity
The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
Internal Auditors:

- Shall perform their work with honesty, diligence and responsibility
- Shall observe the law and make disclosures expected by the law and the profession
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation
- Shall respect and contribute to the legitimate and ethical objectives of the organisation

Objectivity
Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Internal Auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation
- Shall not accept anything that may impair or be presumed to impair their professional judgement
- Shall disclose all material facts known to them that ,if not disclosed, may distort the reporting of activities under review

Confidentiality
Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
Internal Auditors:

- Shall be prudent in the use and protection of information acquired in course of their duties
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation

Competency
Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.
Internal Auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience
- Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing
- Shall continually improve their proficiency and effectiveness and quality of their services.

3.2 Internal auditors who work in the public sector must also have regard to the Committee in Public Life's Seven Principles of Public Life (the Nolan Principles).

4. Independence

4.1 The Council's Internal Audit Services is an appraisal and advisory function having independent status within the Council.

4.2 The Head of Internal Audit:

- Has direct access to the Leader, Chief Executive, the Strategic Director Finance and Customer Services, the Monitoring Officer, the External Auditor, the Chair and Members of the Council's Audit Committee and any other officer or member of the Council as the Head of Internal Audit shall determine.
- Is able to make appropriate provisions for the undertaking of an objective assessment of the resource requirements of Internal Audit Services.

4.3 Internal Audit activity is free from interference in determining the scope of activity, performing work and communicating results. It is independent of all activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations without giving rise to conflicts of interest. Internal Auditors have no direct operational responsibility or authority over any of the activities they review. Accordingly, they do not develop or install systems or procedures, prepare records, or engage in any other activity which would normally be audited. Internal Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the last 12 months.

4.4 The Head of Internal Audit is a member of the Corporate Governance Group, tasked with the production of the Annual Governance Statement. He is also a Whistleblowing Officer, responsible with the Strategic Director Finance and Customer Services and the Monitoring Officer for the Whistleblowing Policy and procedures. He remains independent from the audit processes with regards to these areas, with any reviews carried out by a Principal Auditor reporting directly to the Strategic Director.

4.5 To further ensure the independence of the Head of Internal Audit, the Chief Executive and Chair of the Audit Committee provide feedback into his/her annual Performance Development Review.

5. Authority

5.1 The Head of Internal Audit and Internal Audit staff have the authority to:

- Enter any Council premises and access Council records, assets, personnel and premises, including accounting records, documents, invoices, vouchers, correspondence and other data, whether held manually or electronically, the examination of which is necessary for the proper performance of internal audit duties.
- Require prompt response, every assistance, all information and explanation from any Council employees or Council Members necessary for the internal auditors to carry out their audit duties.
- Require any officer of the Council to account for cash, stores or any other Council asset under their control.
- Access as listed above, depending on the terms of the contract with the partner organisation, those items held by contractors / partner organisations that affect the business of Rotherham Council or its control environment.

6. Role and Scope of Internal Audit Work

6.1 Internal Audit must provide the Council with an annual independent and objective opinion on the adequacy and effectiveness of its risk management, control and governance processes.

6.2 This involves:

- Reviewing and appraising risks related to the achievement of objectives and business goals, and evaluating the adequacy and effectiveness of the system of internal control related to those risks;
- Appraising the relevance, reliability and integrity of information;
- Reviewing compliance with those policies, plans, procedures, statutory requirements and regulations which could have a significant impact on the achievement of the Council's objectives and business operations;
- Reviewing the means of safeguarding assets and as appropriate verifying the existence of such assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed, and the delivery of services in a best value manner;
- Reviewing operations or projects to ascertain whether results are consistent with the Council's established objectives and goals and whether the operations or projects are being carried out as planned;
- Maintaining a program of review and assessment to enhance the integrity and usefulness of the Council's risk management processes;
- Maintaining a program of development, review and audit in relation to quality improvement and assurance methods;
- Assisting management in conducting special assignments and investigations into any matter or activity affecting the interests of the Council.

6.3 The internal audit coverage embraces the entire control environment of the Council, and extends to all areas of the Council and its controlled entities.

6.4 Particular attention is given to any aspects of the control environment affected by significant changes to the Council's risk environment.

6.5 Internal Audit completes advisory / consultancy work in agreement with senior management by responding to requests for audit reviews and by contributing to projects and working groups throughout the Council.

6.6 Internal Audit provides advice and practical support to service management in investigating fraud. Any allegation of fraud and corruption received is followed-up in accordance with the agreed procedures of the Anti-Fraud and Corruption Policy, Whistleblowing Policy and Disciplinary Procedures.

6.7 The Council also participates in the biennial National Fraud Initiative. Internal Audit administers the initiative.

6.8 Where the Council has entered into a partnership with other organisations the partnership arrangement will be subject to review. In addition, where Rotherham Council is the lead authority of a partnership or collaboration, the work undertaken will be subject to review by RMBC Internal Audit.

6.9 Internal Audit may undertake work for new clients by extending its work to third parties. All engagements will be performed in accordance with this Charter to an agreed schedule of audit days. The scope of Internal Audit's work for external bodies is primarily to provide assurance relating to the bodies' systems of internal control, although the bodies might also ask for additional consultancy work to be

conducted. Where appropriate, Internal Audit might also be asked to assist in or carry out investigations into suspected irregularities. Example of this work is where internal audit carry out work for Academies.

7. Responsibilities

7.1 It should be noted that internal audit is not responsible for the operation of control functions within the Council; these responsibilities rest with management. Internal audit should not be regarded as a substitute for good management.

7.2 The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in doing this it adopts a predominantly risk-based approach to audit.

7.3 The Head of Internal Audit is required to manage the provision of a complete audit service to the Council that includes risk based, systems, and advisory audit in addition to the investigation of potential fraud and irregularity. In discharge of this duty the Head of Internal Audit has a responsibility to:

- Prepare and implement an effective strategic and annual internal audit plan, providing for the review of significant operations of the Council, based on an assessment of risk pertaining to the achievement of Council objectives;
- Ensure that the scopes and boundaries of individual audit assignments are in line with the plan;
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe;
- Undertake follow up reviews and action tracking to ensure management has implemented agreed internal control improvements within specified and agreed timeframes;
- Ensure a system of close supervision of audit work;
- Maintain the appropriate auditing standards as defined by the PSIAS.
- Maintain a Quality Assurance and Improvement Programme including annual internal assessments and external assessments at least every five years;
- Report the results of assessments to the Audit Committee and state that the department conforms with the standards or disclose any non-conformance;
- Develop, implement and have oversight of internal audit methods and procedures, including the maintenance of an Audit Manual;
- Maintain knowledge, skills and expertise within the department specifically for the investigation of fraud and irregularity;
- Liaise with the external auditor to provide consistent advice to management and the Audit Committee;
- Prepare reports on audit and investigation activities for presentation to the Audit Committee, and other reports as may be required.
- Utilise designated internal audit resources to maximise the efficiency and effectiveness of the internal audit function.

8. Audit Reports

8.1 All standard audit assignments are the subject of formal reports. Draft reports are issued to the manager of the area under review. Debrief meetings are then held for agreement of the factual accuracy of findings and the necessary actions. After agreement, final reports are issued to management and the respective Strategic Director. The Head of Internal Audit considers the release of investigation reports on a case by case basis.

8.2 All reports that give an overall audit opinion of either “Partial Assurance” or “No Assurance” are submitted to the Chief Executive. A summary of reports is presented to SLT meetings to inform all Strategic Directors of areas of concern within the Council, and also sent to Cabinet Members.

8.3 Progress Reports are presented to the Audit Committee at every meeting summarising outcomes of audit activities. The reports contain significant findings and issues arising from the internal audit work undertaken

8.4 The Progress Reports include the tracking of audit recommendations, any agreed actions that are not implemented within the agreed timescales and any failure of managers to respond to internal audit reports and requests for information relating to the implementation of recommendations within the set time limits.

8.5 The Head of Internal Audit submits an annual report to the Audit Committee timed to support the Annual Governance Statement which includes:

- An annual Internal Audit Opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.
- Any qualifications to the opinion, together with the reasons for those qualifications
- Disclosure of any impairments to independence or objectivity
- A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies).
- Any particular control weaknesses judged to be relevant to the preparation of the annual governance statement.
- A comparison of work undertaken against planned work and a summary of performance of internal audit against performance targets
- A statement on conformance with PSIAS and the results of the Internal Audit Quality Assurance and Improvement Programme.

8.6 In giving the opinion it should be noted that assurance can never be absolute, the most that can be provided is a reasonable assurance that there are no major weaknesses in governance, risk management and control processes.

9. Relationships

9.1 To provide optimum benefit to the organisation, internal audit works in partnership with management to improve the control environment and assist the organisation in achieving its objectives.

9.2 The internal audit function, as part of an effective process of service delivery, maintains good and effective working relationships with its clients and with those charged with responsibility for partner organisations.

9.3 It also maintains effective working relationships with the Audit Committee, the Chief Executive, the Strategic Director Finance and Customer Services, the Monitoring Officer, the External Auditor, other inspection and agency teams, and the Council's Members, management and employees.

9.4 Internal audit is not responsible for the management of the Council's risks; this is the responsibility of the Council's management. However, internal audit takes account of the corporate risk management processes in the way it relates to managers in the control of risks. Emphasis is placed on the importance of risk management to all managers in the Council as part of the delivery of the internal audit service. Internal Audit regularly reviews the Council's risk management arrangements as an integral aspect of its work.

9.5 Internal audit's work assists managers to better understand risk management. This is an important educational / informative role that adds value to the organisation where appropriate. All reports that have No Assurance or Partial Assurance are submitted to the Corporate Risk Manager to ensure that findings are considered for inclusion in risk registers to ensure they are kept up-to-date and relevant.

9.6 Where the Council has partnership arrangements, the Head of Internal Audit ensures that there is effective and efficient control environment which takes account of the governance, risk and control framework of the partner body, and that the risks associated with such an arrangement are subject to internal audit review. Suitable protocols are in place where these safeguard the Council's interests for effective internal audit.

9.7 Where there are incidents of fraud the Head of Internal Audit advises or intervenes as appropriate in ensuring that there is suitable involvement with the Police or other agencies and seeks to maintain effective working relationships with them.

9.8 Internal audit comments on the efficient, economic and effective use of resources, where appropriate, in both the routine internal audit work and also where specifically charged with evaluating value for money / efficiency improvements.

10. Resources and Prioritisation

10.1 Internal Audit endeavours to maintain an effective number of staff to undertake the required workload, supported by effective systems of operation. Internal Audit applies staff in the most effective way in accordance with their experience and skills and in accordance with the PSIAS.

10.2 The Head of Internal Audit, s151 Officer and Audit Committee all have a responsibility to ensure Internal Audit has sufficient resources to enable it to fulfil its mandate. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to the Audit Committee.

10.3 Internal Audit's annual planning process sets out clearly the range of work it expects to do.

- Risk Based Audits

  This refers to our work on assessing the management of the key risks currently facing the Council.

- Systems Audits

  This includes work on fundamental financial systems that helps the s.151 officer to fulfil his/her statutory responsibilities for proper financial administration and control.

- Advisory Work

  This refers to our work on supporting continuous improvement by reviewing change projects and systems developments and by contributing to working groups

- Follow Up

  This is the completion of full follow up reviews for selected audits, and the tracking of the implementation of audit recommendations.

- Responsive Work

  This refers to responding to requests from management for additional work.

- Investigations

  Responding to the need to investigate potential fraud and irregularity.

- Work for External Bodies

  There is also some work arising that does not fall into these headings such as income earning work for external bodies such as audit work for academy schools.

10.5 The quantum of work is identified following a full assessment of risks across the Council and after taking into account other forms of assurance available to oversee and mitigate some risks identified (for example external audit work or improvement board activities).

10.6 Internal Audit prepares a plan of work each year. Resources to deliver the plan of work, in terms of the level of resources and the skills required, are identified at the planning stage of the audit. Both the Head of Internal Audit and the Strategic Director Finance and Customer Services satisfy themselves at the start of the year that there are sufficient resources in place at least to deliver the plan and to give an opinion on the Council's system of governance, risk management and internal control at the end of the year, and to ensure some coverage in other necessary areas in accordance with PSIAS.

10.7 Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Strategic Director Finance and Customer Services will, firstly, try to provide additional audit support to the section. Where it becomes necessary to limit the amount of work it is possible for the Service to do, work for external parties, risk related work, follow up and responsive work will be reduced.

10.8 Internal Audit annually carries out a review of the skills within the team and any development needs, linked to operational requirements. Training and development is prioritised to reflect the needs of the service and individuals. This enables the service to maintain appropriate expertise for the delivery of the audit plan and strategy and to continuously adapt to new developments.

10.9 Where necessary, appropriate staff from within the Council or from external sources, will be obtained to complete specialist reviews.

11. Fraud and Corruption

11.1 Managing the risk of fraud and corruption is the responsibility of management; Internal Audit assists management in the effective discharge of this responsibility. There is a need for the Council to maintain an effective counter-fraud culture and the work of Internal Audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. There is a public expectation for public monies to be spent wisely and safeguarded against fraudulent activity. Accordingly, the section's audit plans provide for counter fraud activity.

11.2 Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have the responsibility for the identification, prevention or detection of fraud and corruption. Internal Audit will, however, be alert in all their work to risks and exposures that could allow fraud and corruption.

11.3 The Head of Internal Audit develops and maintains the Anti-Fraud and Corruption Policy.

11.4 Council Policy requires that where there is suspicion or detection of fraud or corruption by employees they report it to the appropriate manager, or if necessary, directly to the Chief Executive, Assistant Director Legal and Democratic Services or the Head of Internal Audit. Management will notify Internal Audit immediately, so that this can be considered when forming the overall opinion on the control environment and preparation and delivery of the Audit Plan. Depending on the nature and anticipated extent of the allegation(s), the Head of Internal Audit will normally work closely with management and other agencies, such as the Police, to ensure that the allegation(s) are properly investigated and reported so that maximum recoveries are achieved. If the irregularity or suspected irregularity involves theft or suspected theft of assets, it must be referred to the Police. In addition where a break-in is suspected, the Police must be informed immediately.

11.5 When notified of a suspected fraud, Internal Audit will consult with HR with regards to the disciplinary procedures and possible suspension of the employee concerned. They will then conduct an investigation in conjunction with management of the department. Internal Audit will prepare a report which may or may not lead to disciplinary action being taken. The report will also address any systems weaknesses and make recommendations for improvements to prevent a recurrence.

12. Performance Reporting

12.1 Performance indicators for Internal Audit are reported to each Audit Committee meeting and the Strategic Director Finance and Customer Services.

13. Definition of Consulting Services

13.1 The standards define consulting services as follows: “Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”

13.2 Internal Audit provides ad hoc advice to management on an ongoing basis. Time is allocated for this work in the audit plan.

13.3 Requests for any significant additional consulting services not already included in the audit plan will be submitted to the Audit Committee for approval prior to accepting the engagement.